

From: TLINDON --VAU0002A
To: OSMITH --VUS0212A Owen Smith

Date and time 02/03/93 20:52:47

From: Timothy J. Lindon
PM Asia/Pacific, Hong Kong
Fax: 852-537-1281 Tel: 852-825-1682
Subject: PENDING MATTERS

Date : February 3, 1993
To : Mr. Owen C. Smith
From : Timothy J. Lindon
Subject : Pending Matters

There are a few difficult issues in Asia which I would like to discuss with you before Geoff's visit next week. If possible, I would appreciate your setting some time aside around 9:30 a.m. New York time on Thursday morning. I will give you a call.

1) JAPAN

There are two marketing issues in Japan:

- a) I sent you by fax a copy of Dinny's response to my memorandum regarding adult comics book. I plan to give Dinny a call to discuss the matter informally, and I would appreciate any recommendations you may have on how to handle the issue.
- b) I learned today that PMKK is launching in March an on-carton promotion for Parliament with sample bottles of Absolute Vodka on each carton. In some respects, the promotion is similar to that undertaken last December where coupons good for two cans of Suntory beer were included in certain packs of Lark cigarettes sold in vending machines.

The 40,000 Parliament cartons will be sold only over the counter in retail outlets so the retailer can make sure the purchaser is over 20 years old. The promotion was approved by Dinny and David Dangoor during David's recent trip to Japan and Mr. Takeuchi of Nagashima & Ohno believes the promotion as currently structured is permitted under Japanese law.

I do not believe we can or should seek to stop the promotion at this late date. However, we need to give Japan guidelines on future joint liquor/tobacco promotions so that such promotions, regardless of their acceptability in Japan, do not create issues for us in the U.S.

2) STAR TV

2500041732

I have spent considerable time during the past two weeks evaluating possible uses of STAR satellite television in anticipation of a presentation to Geoff. The current proposal is to create a "Marlboro

Entertainment Company" which, possibly in a joint venture with STAR TV, will create programming (including a sports oriented show) for sale to STAR TV. Since STAR TV is Hong Kong based, the initial question is whether the broadcast would be permitted under Hong Kong law. Hong Kong prohibits cigarette advertising, but allow use of a tobacco brand name on TV in conjunction with a non-tobacco product. I have spoken briefly with counsel in Taiwan, the PRC and Thailand, and they do not believe their governments would challenge the transmission. Other countries, like Singapore and Malaysia, bar the reception of STAR TV, and therefore it would be difficult for them to challenge the content of STAR program. The concept needs a great deal more refinement and analysis, but I would appreciate your initial thoughts.

3) Hong Kong Regulations

Portions of the new Hong Kong Smoking Ordinance, which became effective on February 1, 1993, appear to define brand sponsorships such as the "Marlboro Championships" as cigarette advertisements, thereby requiring warnings and prohibiting the advertising of these events on television. The ordinance also deletes the exemption from warning requirements for promotional items. David Shannon is taking a quite aggressive position -- that brands sponsorship of an event is not a cigarette advertisement, regardless of the new law. Before we make a final decision, I would like to discuss with you some of the practical ramification of requiring warnings on banners and promotional items.

4. Unauthorized Product

I would like to update you on recent information and the next steps we intend to suggest to Geoff.

Best regards,

Tim

- Tear tape meeting

END OF NOTE

- Imports of Marlboro into U.S.
- Korea tax audit

2500041733